

PAY BANDING VALIDATION

Advanced Management Program

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INTRODUCTION

With a large part of the Federal workforce coming to retirement eligibility in the near future and having to compete in a more competitive environment for hiring and retaining employees, the Department of Defense must position itself to attract and retain a new generation of skilled professionals.

For example, in 1990 Congress enacted the Defense Acquisition Workforce Improvement Act (DAWIA). One of DAWIA's goals was to establish a focused acquisition workforce of better-trained, multi-skilled professionals to effectively manage multimillion-dollar programs. Additionally, DoD's acquisition workforce will be more versatile by enabling them to think "outside the box". This initiative permits the acquisition professional to more effectively operate in more than one functional area and to take managed risks. Unfortunately, the inflexibility of many personnel processes used in today's human resource process does not allow us to attract, retain, motivate, and reward the highly qualified acquisition workforce.

Pay banding initiatives provide these incentives and rewards to employees who exhibit these characteristics. Pay banding, also referred to as broadbanding, consolidates several pay grades into a broad band. Currently the 15 grades of the General Schedule are used to classify positions and, therefore, to set pay. Under broadbanding, several grades are banded together, thereby creating more flexibility for setting pay and assigning personnel. These pay banding initiatives have been implemented as demonstrations at a number of commands.

The common objectives of broadbanding are:

- To reduce the number of distinctions between levels of work at the different grade levels, thereby greatly simplifying the process for employees to advance to another level of work and pay;
- To allow for more competitive recruitment of quality candidates at differing rates within the appropriate broadband levels; and
- To allow employees to move within the band to higher levels of pay based on level of contribution without going through a competitive promotion process.

ENVIRONMENT

Pay banding has been in the Federal government for more than 20 years, beginning with the Navy Laboratories demonstration at China Lake, California. This initial trial has now been fully implemented and is no longer a demonstration at this



location. In 1999 a number of DoD sites began the Acquisition Workforce Personnel Demonstration Project, and this project is in its fourth year of the planned five years.

The China Lake demonstration was the first project under Title VI of the Civil Service Reform Act. The labs were interested in improving recruitment and retention of high quality workers and “letting managers manage” by increasing their control over classification, pay, and other personnel matters. Classification was simplified and delegated to managers. Pay increases within broad pay bands were linked closely to performance ratings and starting salaries were made flexible. The project was extended indefinitely in 1994 by P.L. 103-337. In 1995 the Navy was given authority to expand the project throughout the successor organization, the Naval Air Systems Command (NAVAIR).

The Office of Personnel Management conducted the project evaluation and published 14 evaluation reports. The project was successful in improving personnel management at the two demonstration labs. Simplified delegated job classification based on generic standards has drastically reduced the time for classification actions and reduced conflict between personnel and managers. Average salaries have increased two to three percent under paybanding. Recruitment, retention and reduced turnover of high performers and increased turnover of low performers have all improved. Perceived supervisory authority over classification, pay, and hiring increased, as did employee satisfaction with pay and performance management. More than 70 percent of employees are supporting the demonstration system.

The National Institute of Standards and Technology (NIST) demonstration project was started in January 1988 to address difficulties in hiring, classification, and compensation. The project introduced a simplified and automated classification system with classification authority delegated to line managers. Supervisors continue to find the system easy to use and they feel that they devote less time to position classification and that they have more authority to influence classification decisions.

In the area of hiring, NIST received expanded hiring authority and flexibility in setting starting salaries. NIST is making extensive use of its expanded hiring authorities for professional and support occupations, and agency-based hiring for the administrative and technical occupations since implementation of the project. Starting salary flexibility is seen as a very useful recruiting tool. Recruitment allowances and retention allowances are used sparingly at NIST.

The original five-level rating system was changed in 1990 to a two-level system that was linked to ranking for pay purposes using a 100-point scale. A score below 40 constitutes unsatisfactory performance, and employees above 40 are eligible for pay increases. Rating distributions have remained consistent across time. In contrast, ratings for the comparison group have shown a steady rise. Average salaries have increased



under paybanding and after five years were four percent higher than for the comparison group. Satisfaction with the new performance management system has increased, and according to the 1993 attitude survey, 67 percent of employees were in favor of the project.

The Acquisition Workforce demonstration project is unique because it is the first demonstration project that covers an occupational workforce rather than an organizational entity. It covers DoD civilian employees directly involved in acquisitions. This project was proposed in DoD's Fiscal Year 1996 authorizing legislation. A process action team, which included representatives of all branches of the services, the Office of the Secretary of Defense, and the Office of Personnel Management, worked cooperatively to design this project and continue to collaborate in the project's implementation.

PROPOSAL

We propose incorporating lessons learned from existing demonstrations to expand pay banding to all General Schedule employees DoD wide.

COST-BENEFIT

✓ COSTS

- Increased salary costs.
- Startup costs for training, advertising, and printing.
- Resources for coordination of the implementation.

✓ BENEFITS

- Higher retention rates and rewards for excellent contributors.
- Hiring and appointment authorities allow organizations to hire quality candidates with the knowledge and skills necessary to perform the duties.
- Provides a stronger link between pay and contribution to the mission of the organization.
- Increased quality of the workforce.
- Increased organizational effectiveness and customer satisfaction.

✓ RISKS and MITIGATIONS

- Broad implementation will require union involvement. Identify and involve the unions at the beginning of the pay banding process.
- May require realignment of budget priorities, as salaries tend to be slightly more expensive.



- Current HR systems are strained by handling of multiple appraisal systems. Insure NMCI/ERP projects have pay banding support requirements.

IMPLEMENTATION STRATEGIES

Pay banding should be implemented via the chain of command using lessons learned from existing demonstrations. The following hints and lessons have been collected from the demonstration organizations:

- Watch for unintended consequences. Pay banding drives dramatic change in the culture throughout the entire organization, not just in the Personnel system.
- Change current personnel systems to support pay banding. Hiring delays must be eradicated in order to hire high quality candidates.
- Emphasize training and provide the necessary tools. Training and these tools are required in order for the workforce to understand a contribution-based appraisal system, vice a performance-based system.
- Frequent turnover of military personnel requires additional training. It is imperative that continuous training be included in an organization's development plans.
- The employee must be able to connect directly their function to the mission, goals, and objectives of the organization.
- Budgets must be sufficient for pay banding organizations. Implementation of pay banding could be adversely affected by a command not adequately funding the system.
- Need to establish a Personnel policy board to ensure fair and equitable oversight of the system. This is the best way to ensure evenhandedness and minimize grievances.
- Provide method to record employee contributions. To keep an up-to-date listing of contributions, an electronic database/journal would be beneficial. It should be easily accessible by the employees. This database can be used as a tool for preparing mid-year and end-of-cycle reviews.



- Need to have the flexibility to negotiate salaries for internal Federal employees transferring from other non-pay banding agencies. Current demonstration projects are not authorized to compete with other agencies and therefore cannot negotiate pay.

RECOMMENDATIONS

- Incorporate lessons learned from existing demonstrations to expand pay banding to all General Schedule employees DoD wide.
- Use the Electronic Contribution Appraisal System (ECAS) software to facilitate the recording of employee contributions on a daily basis.
- Create desk guides to facilitate training and standardized implementation. These guides should be available electronically, and optionally in paper form.
- Provide sufficient training to all employees, including senior management, in order to ensure the success of this major change.



REFERENCES

<http://www.opm.gov/> The website of the Office of Personnel Management.

Materials provided by:

Judy Read, office of the Assistant Secretary of the Navy for Manpower & Reserve Affairs.

Shelley Seay, Demonstration Project Leader, Marine Corps Systems Command.

Howard Kirshner and Jim Hill, Naval Sea Systems Command.

APPENDIX A

Career Path & Pay Schedule (Base Salary)*			
NH – Career Path #1: Business Management & Technical Management Professional			
Level I (GS 1-4) \$14,757 - \$26,415	Level II (GS 5-11) \$22,737 - \$54,185	Level III (GS 12-13) \$49,959 - \$77,229	Level IV (GS 14-15) \$70,205 - \$107,357
Contracting, Budgeting, Logisticians, Program Mgrs., Engineers, Statistics, Operations Res Analyst, Scientists			
NJ – Career Path #2: Technical Management Support			
Level I (GS 1-4) \$14,757 - \$26,415	Level II (GS 5-8) \$22,737 - \$40,551	Level III (GS 9-11) \$34,451 - \$54,185	Level IV (GS 12-13) \$49,959 - \$77,229
Engineering and Electronics Technicians and Draftsman			
NK – Career Path #3 – Administrative Support			
Level I (GS 1-4) \$14,757 - \$26,415	Level II (GS 5-7) \$22,737 - \$36,615	Level III (GS 8-10) \$31,191 - \$49,324	
Secretaries, Purchasing Agents, Budget Assistants			
*Does not include Locality Pay			

